

MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
OF THE BETHLEHEM AUTHORITY

November 14, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on November 14, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:30 PM by Mr. Vaughn Gower, Chairman. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Mark Jobes, Treasurer
- Ms. Laurie Hackett, Assistant Secretary / Treasurer
- Mr. James Broughal, Esq., Solicitor
- Mr. John Filipos, CPA, Controller
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

**APPROVAL OF MINUTES OF OCTOBER 10, 2013**

V. Gower presented the minutes from the regular meeting held October 10, 2013 and L. Hackett moved for their approval. J. Tallarico seconded. Motion passed unanimously.

**RECOGNITION OF VISITORS / COURTESY OF THE FLOOR**

V. Gower recognized and welcomed the following visitors:

- Mr. Stephen Antalics, Bethlehem Resident
- Mr. David Brong, City of Bethlehem Director of Water and Sewer Resources
- Bethlehem Press

*(Mr. Mark Jobes entered the meeting.)*

**CHAIRMAN**

V. Gower had no report this month on the Operating Authority.

## **EXECUTIVE DIRECTOR**

**Forest Management Activity.** S. Repasch reported that the Authority's Forester has been working hard on a Blue Source project to establish a permanent plot that will determine growth rates over the next 60 years. Growth rates are a key measurement to sell the carbon credits. Our Forester will attend a meeting next year to discuss management plans for 2014. There will be ~317 acres (five or six stands) of timbering projects worth a minimum \$110,000 in revenue if the markets remain stable. The "Keiper" stand has some valuable cherry trees and its timber could be worth at least \$90,000.

**Carbon Credits.** S. Repasch reported he has no additional information from Blue Source to share. There is a five-year commitment for the carbon credits for the years 2015 through 2019, but information about the buyer and price remains confidential.

**Wind Energy Project.** S. Repasch reported that after almost five years, the met towers have been erected. They are 198 feet tall and located in two of the most remote areas of the watershed – above the turnpike, and above the Palmerton hunting club in Penn Forest Township, about one to two miles off the hardtop road. There is also a LIDAR unit installed on the ground to measure meteorological data. The met towers and LIDAR will be in place for at least one year. In the meantime, FAA and environmental studies will be conducted by Iberdrola.

**Revised Arbitrage Report Ratification.** S. Repasch reported that last month, the Board accepted the draft arbitrage report on the Series 1998 Water Revenue Bonds and approved the payment of \$30,812.44. Subsequent to the meeting, the final report indicated the amount due to the IRS was \$9,688.55, and it was paid. Currently, there is ~\$34,000 from the arbitrage account that BNYMellon will wire into our reserve account to reimburse the arbitrage payment, the cost of the study, and additional expenses due to the Authority's Bond Counsel and Financial Advisor for their services. He also asked the Financial Advisor what should be done with the remainder of money in the Excess Investment Earnings Fund, and his initial response was, "I am currently inclined to leave the money in the Excess Investment Earnings Fund until such time as a rebate calculation is conducted for the 2004, 2010 and 1998 bonds next year." It is likely a calculation will have to be done as part of a restructuring. There is less than \$200,000 in the arbitrage fund if needed for the anticipated calculations and payment. If not needed for arbitrage, it can be used toward debt service or water capital.

J. Tallarico moved to ratify acceptance of the final arbitrage report on the Series 1998 Water Revenue Bonds and the payment to the IRS in the amount of \$9,688.55. M. Jobs seconded. Motion passed unanimously.

**2013 Audit Proposal.** S. Repasch presented the proposal from Maher Duessel, CPA's, for the Authority's 2013 audit, which has been done as part of the City's audit for the past five years. They provide good service and rates, and there are no changes in the scope of work from last year's audit. The proposal totals \$3,220. J. Filipos added that the DCED requires the audit report on the Authority in addition to the City's audit, and the majority of the auditor's work is focused on his report.

M. Jobes moved to approve MD proposal in the amount of \$3,220 for the Authority's 2013 audit L. Hackett seconded. Motion passed unanimously.

**4<sup>th</sup> Quarter 2013 Income-Expense Projections.** S. Repasch reported the following:

**Operating Funds**

- Cash on Hand, Beginning of November – \$107,600
- Projected Receivables – \$193,715. This amount includes \$140,000 that has been budgeted to move from reserves to the operating account. We will know better in December how much will need to be transferred, if anything at all. Operating budget expenses are running below the budgeted total for 2013.
- Projected Expenses – \$91,990
- Total Projected Cash on Hand, End of Period – \$232,965

**Capital Reserve Funds**

- Cash on Hand, Beginning of Period – \$309,395
- Projected Receivables – \$650. This amount includes reimbursement from Iberdrola for consulting services related to the wind energy project.
- Projected Expenses – \$148,000. This amount includes the budgeted \$140,000 transfer to operating funds.
- Total Projected Cash on Hand, End of Period – \$162,045
- Total Projected Cash on Hand, All Funds – \$395,010

**Expense Budget Comparative.** S. Repasch reported the following for the ten months ended October 31, 2013:

- Professional Services – 63%
- Security and Property Expenses – 61%
- Administrative Expenses – 82%
- Overall – 75%
- Capital Reserve Expenses – 86%.

Overall, the budgets are in line with the expenses projected for the year.

**2014 Operating Budget.** S. Repasch reported the 2014 Operating Budget was circulated last week. He and V. Gower have spent time reviewing it this past month. Some items that remain uncertain are:

- Leasing versus purchasing a new patrol truck. Since last month's discussion, it was determined that leasing would not be cost effective and a new truck will be purchased. The 2014 model is no longer available and the 2015 model should not cost much more. The \$36,000 in the budget is a not-to-exceed amount. We should have the price by early December and in time for formal adoption of the budget.
- Health Insurance Plan. We received a price from Aetna and the plan is the same except the deductibles will be raised from \$1,000/\$2,000 to \$2,000/\$4,000. Again, the amount in the budget is a not-to-exceed amount because we are currently getting quotes from other insurers. Our broker indicated that Aetna will most likely be the lowest cost. We should have a comparison of rates in early December as well.
- Operating Authority. This will be discussed in an Executive Session, along with administrative changes in the City and planning for 2014.

V. Gower added there is an \$11,000 expense contingency, slightly under 2% of the budget and \$200,000 from the sale of the carbon credits for 2014 that will be transferred to the City for its water capital budget.

S. Repasch recommended delaying adopting the budget until the December meeting. Questions can be asked now or emailed to him. We would like to have more definitive amounts for some other items before the budget is adopted.

V. Gower queried if the cash balances indicated in the operating (\$234,000) and capital reserve (\$162,000) funds are what remain after having accomplished the 2013 budget, and S. Repasch responded yes. Looking at 2014, V. Gower said he understands the operating fund ending cash balance would be the same as 2013 because the budget is revenue neutral, and since the capital reserve funds are being used, it would be fair to say that capital reserve fund ending balance would be less than 2013. With ~\$400,000 cash on hand in total beginning the year 2014, he feels this is a reasonable revenue and expense budget, even with helping the City with the carbon credits revenue.

J. Tallarico queried what improvements are budgeted for the security office for 2014. S. Repasch responded the list includes windows and doors at the back of the house, painting upstairs, and signage. \$10,000 is budgeted for those expenses.

## **CONTROLLER**

J. Filipos's report for the month of October, 2013 was circulated and filed. He noted the following:

- The 2004 bonds debt service fund increased \$1.7+ million. This money was from the City towards the November 15 payment.
- The Hirko bond principal and interest payment of \$826,000 was made October 1.
- The BRIF is currently under the \$2.2 million board-designated minimum due to the repayment of over-reimbursed grant money from the DCED. When the City's pays the lease coverage at the end of the year, it will be deposited into the BRIF, which will bring the balance above the \$2.2 million.
- The Authority's audited financials were submitted as required on October 11.

**Resolution 358 – Approval of Expenses.** V. Gower presented Resolution 358 to the Board in the total amount of \$167,425.05 for payment of the following:

- \$130,703 from the BRIF for repayment to the DCED of a duplicate grant reimbursement
- \$36,722.05 from the general and capital reserve accounts for payment of administrative and professional expenses.

The water capital expenses are being paid from the City's line of credit this month.

L. Hackett moved to approve Resolution 358 as presented. M. Jobes seconded. Motion passed unanimously.

## **SOLICITOR**

No report.

## **CONSULTING ENGINEER**

The Consulting Engineer's report for the months of September and October, 2013 was circulated and filed. S. Repasch said the Consulting Engineer has completed two out of three days of facilities inspections. The required insurance certification will be completed by year's end and budget certification will be completed after the City passes its budget (which might change due to Administration changes). The appendices, which also include water consumption and sales information, will not be completed until February or March. The final report should be done by April.

V. Gower has two issues: Last year the wording was revised relative to the long-term financial outlook and sustainability of the Water Fund and he would like this to continue. With regard to the physical inspection of the assets, he does not want to wait until April to find out that there may be one or two items in the report that are “red flags.” It would be better to have a status report of the assets provided at a meeting. S. Repasch said the Consulting Engineer is typically at January’s reorganization meeting, but he can request that a written report be provided for the December meeting.

#### **BETHLEHEM AUTHORITY SPECIAL POLICE**

Officer Meixell’s report for the month of November, 2013 was circulated and filed. Rifle bear and deer seasons open before and after Thanksgiving respectively, and it is typically his busiest time of the year. Authority property is heavily used for hunting. Recent feedback has been positive as it relates to Authority Forest Management activities.

#### **WATER REPORT**

The Water Report for the month of October, 2013 was circulated and filed and indicates that the reservoirs are at 95% capacity. They are likely lower than that now, as there recently has not been much precipitation.

#### **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

D. Brong reported the following:

Water Fund revenue is +1% of 2013’s plan and +3% versus 2012. The November debt service was paid to the Trustee. The lease coverage will be paid by the end of the year.

The 2014 Water Fund budget totals \$20 million and it is a balanced budget. Reorganization of the workforce helped facilitate a balanced budget. He met with the entire workforce earlier this week. They are not comfortable with the changes but understand the need for them. He will be presenting the budget to City Council next Thursday. There is a 15.8% proposed rate increase, with 9.5% assumed in the budget and applied in the Fourth quarter of 2014. He has a meeting this week with OCA division of the PUC about the application and to make sure they understand the status of the utility financially.

#### **OTHER BUSINESS**

S. Repasch mentioned that there have been talks at the Congressional level about municipal bonds no longer being tax exempt. The PMAA solicitor said the issue is getting traction. Authorities across the state need be aware of this and to talk to their legislators as may be needed.

V. Gower said it is about future debt, not current bonds. If that would occur, the Authority's current bonds would become extremely valuable.

#### **COURTESY OF THE FLOOR**

S. Antalics commented about visual pollution from wind turbines and queried how many will be erected in the watershed if the studies support the project. V. Gower responded 20 to 30 turbines will be erected and most won't be visible. He also said that when Councilwoman Dolan spoke in favor of signing the agreement with Iberdrola, she commented that visible pollution already exists with electric distribution lines. Mr. Antalics also queried if there have been any more mysterious trucks or signs of illegal dumping of fracking fluid in the watershed, and Officer Meixell responded no.

#### **NEXT MEETING**

V. Gower announced the next meeting is scheduled for December 12, 2013.

#### **ADJOURNMENT**

M. Jobes moved to adjourn the meeting. J. Tallarico seconded. Motion passed unanimously. The meeting adjourned at 4:25 PM.

An Executive Session was held immediately following the adjournment of the Regular Meeting to discuss personnel matters.

***Laurie G. Hackett***  
***Assistant Secretary***